



# The Real Estate ANALYST

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## CONSTRUCTION BULLETIN

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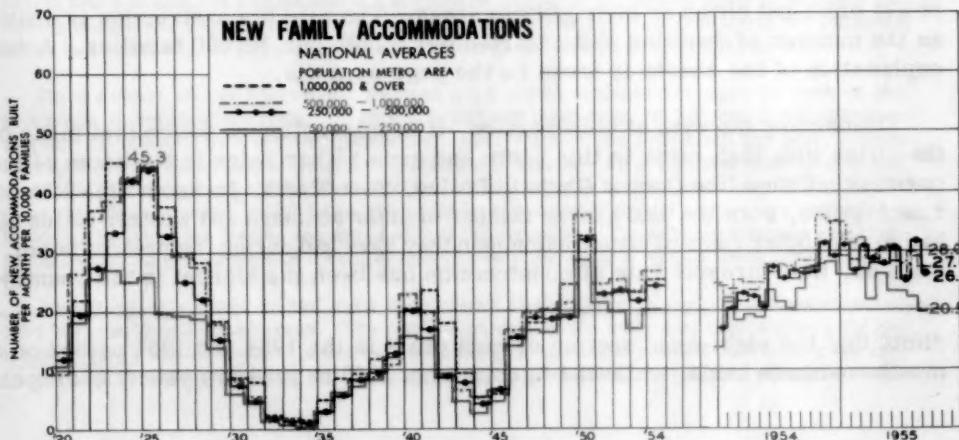
Number 58

*Real Estate Economists, Appraisers and Counselors*

### NEW PEAK FOR CONSTRUCTION IN 1955

ACH year since 1946 has seen total construction expenditures rise to a new alltime high. This year will be no exception. The preliminary estimates for dollar volume of construction for 1955 were \$39.5 billion. This total would in itself have been a new record, but it became apparent early in the year that the preliminary estimate was too low. Final figures for the year are, naturally, not available, but enough of the year has gone by to allow a much firmer and realistic appraisal of 1955 construction volume. It is \$42.0 billion, or almost 12% above the previous high of last year. Some of this rise is represented by higher construction costs. However, if the rise in construction costs is eliminated, the figures still add up to a 7.5% increase in physical volume.

By far the biggest increase was represented in the \$2.7 billion rise in the construction of new dwelling units. When most of us think of building we automatically think of home building. To be sure, this vital segment of the industry is by far its largest segment. Even so, home building accounts for only about 35% of construction dollar volume. Highway construction had the next largest dollar volume in 1955. It amounted to \$4.1 billion, or just under 10%. Dollar volume of new educational facilities and new commercial construction were next in line at \$2.5 billion (or about 6% of the total) each. Industrial construction was



at a \$2.4 billion level. When compared with these other types of construction activity, home building's dollar volume of \$14.8 is indeed impressive. It represents a 22% increase over 1954.

Insofar as the number of dwelling units is concerned, the 1955 increase will not be so impressive. At the end of 9 months the total number of starts was 14.3% ahead of the same period last year. Here is a breakdown on public and private starts and those in metropolitan and nonmetropolitan areas.

	First 9 months 1954	First 9 months 1955	Change Number	Change %
Total nonfarm starts . . . . .	915,500	1,046,700	+131,200	+14.3
Starts in metropolitan areas . .	671,100	773,100	+102,000	+15.2
Starts in nonmetropolitan areas	244,400	273,600	+29,200	+11.9
Private starts . . . . .	898,000	1,032,600	+134,600	+15.0
Public starts . . . . .	17,500	14,100	-3,400	-19.4

The construction of one-family dwelling units has made up an increasing percentage of all residential construction each year since 1947. In that year, one-family dwellings made up 77.5% of all residential units. This was because multifamily construction was greatly stimulated by FHA's heavy emphasis on the 608 program. Since then there has been a steady decline in multifamily construction with the resultant rise in the percentage of one-family houses. The figure for 1955 is not available, but in 1954 it was 88.3%. It would not be surprising to see it rise to more than 90% in 1955 as multifamily construction dips below the 10% level.

The charts on the following pages show the rate of residential construction in 177 principal cities or metropolitan areas. The rate of construction is shown as the number of dwelling units started per month per 10,000 families. A full explanation of the charts is found on the page opposite.

Concerning the rate of construction, it is interesting to notice that many of the cities with high rates in this boom had even higher rates in the boom of the twenties. Cities like Corpus Christi, Dallas, Fort Worth, Jacksonville, Miami, Los Angeles, Phoenix, and a large number of other southern and western cities all had much higher rates of construction than they have had during the present boom.\* Even so, their present rate of construction has been the highest in the country.

\*Note that the right-hand section of each chart is the 1954 and 1955 period on a month-to-month basis, while the figures from 1920 to 1954 are yearly averages.

## EXPLANATION OF CHARTS

**R**ESIDENTIAL building in all metropolitan areas of the United States as defined by the 1950 Census is charted on the following pages. The 168 areas include all areas in which the central city had a 1950 population of more than 50,000.

In each city all suburbs, incorporated and unincorporated areas, have been contacted and every effort has been made to make this report as complete as possible. In most cities it has been possible to include practically all of the suburbs within the metropolitan area. For example, the New York City and Northeastern New Jersey area figures include the building in 326 suburban communities; the Chicago area includes building in 166 suburban communities; Philadelphia, 161; Detroit, 101; Los Angeles, 63; and Cleveland, 61. In all, more than 2,300 communities are represented in these charts.

On the charts the figures are expressed as the number of new family units started per 10,000 families in each metropolitan area as indicated by building permits. In non-permit-issuing areas, we requested the tax clerk to report to us the number of dwelling units added to the tax roll each month. In this computation, a single-family dwelling counts 1, a 2-family dwelling counts 2, and a 24-family apartment counts 24. All public housing and war housing projects have been included, along with buildings that were privately built and financed.

The blue italicized numerals on each chart give the number of new family accommodations built in the last 3 months for which figures are available. These are actual figures and are not adjusted for the number of families. The red italicized numerals give the corresponding figures for the corresponding period of a year ago.

It should be noticed on the individual charts that separate averages (medians) have been used for four groupings of metropolitan areas. The average number of new family accommodations built per month per 10,000 families is shown from 1920 to the present for metropolitan areas having from 50,000 to 250,000 people (the solid red line); for areas having from 250,000 to 500,000 people (the beaded red line); for areas having from 500,000 to 1,000,000 people (the dash-dot line); and for those areas having a population of over 1,000,000 (the dashed red line). Ninety-one areas fall into the first category; 44 into the second; 19 into the third; and 14 into the fourth.

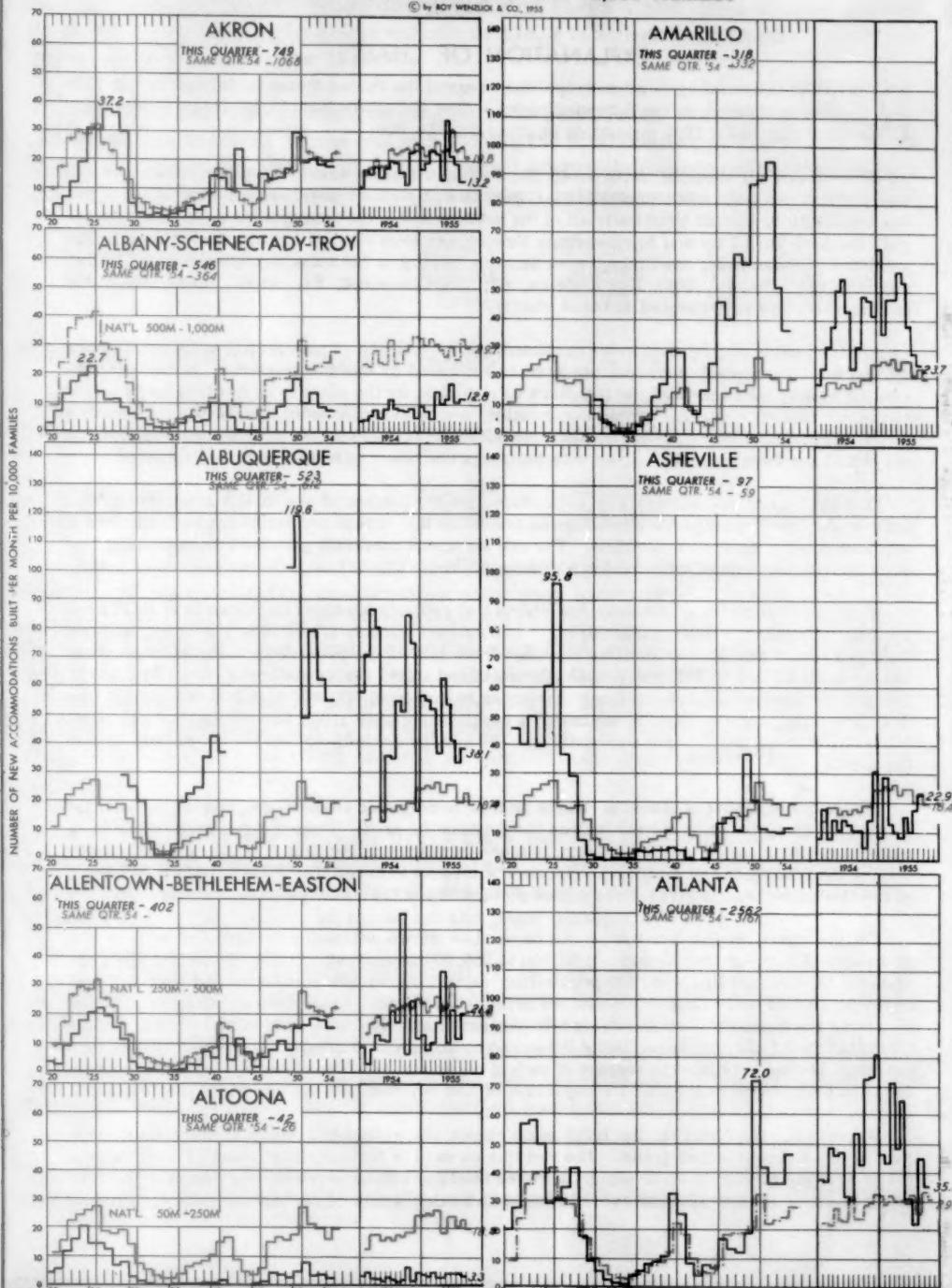
On each area chart is shown in red the national average for areas in its grouping in contrast to the blue line, which shows the figures for the specific area. The averages used on the area charts are medians. A median average is found by arranging the data in order of size and selecting the amount at the midpoint. Because a median average thus eliminates the influence of the two extremes, it gives a very good picture of the typical area in each group.

On the chart on the front page we have also shown national averages for each of the groupings of metropolitan areas: (1) 50,000 to 250,000 population; (2) 250,000 to 500,000 population; (3) 500,000 to 1,000,000 population; and (4) 1,000,000 population and over. These averages should more properly be called arithmetic means. An arithmetic mean is obtained by adding the amounts of all the items and then dividing by the number of items. It will be noticed that the arithmetic mean, being influenced by areas with a greatly accelerated rate of new building, is above the median average of each of the groupings. The arithmetic means are given for each grouping in order that a comparison of new building on a volume basis may be made.

We repeat, the chart on the front page shows the arithmetic mean of the construction rate in the different-sized areas. The red line on each of the individual charts shows the national average for the group in which each area belongs, making it possible to compare the rate in one area (blue line) with the average rate of all other areas of comparable size (red line).

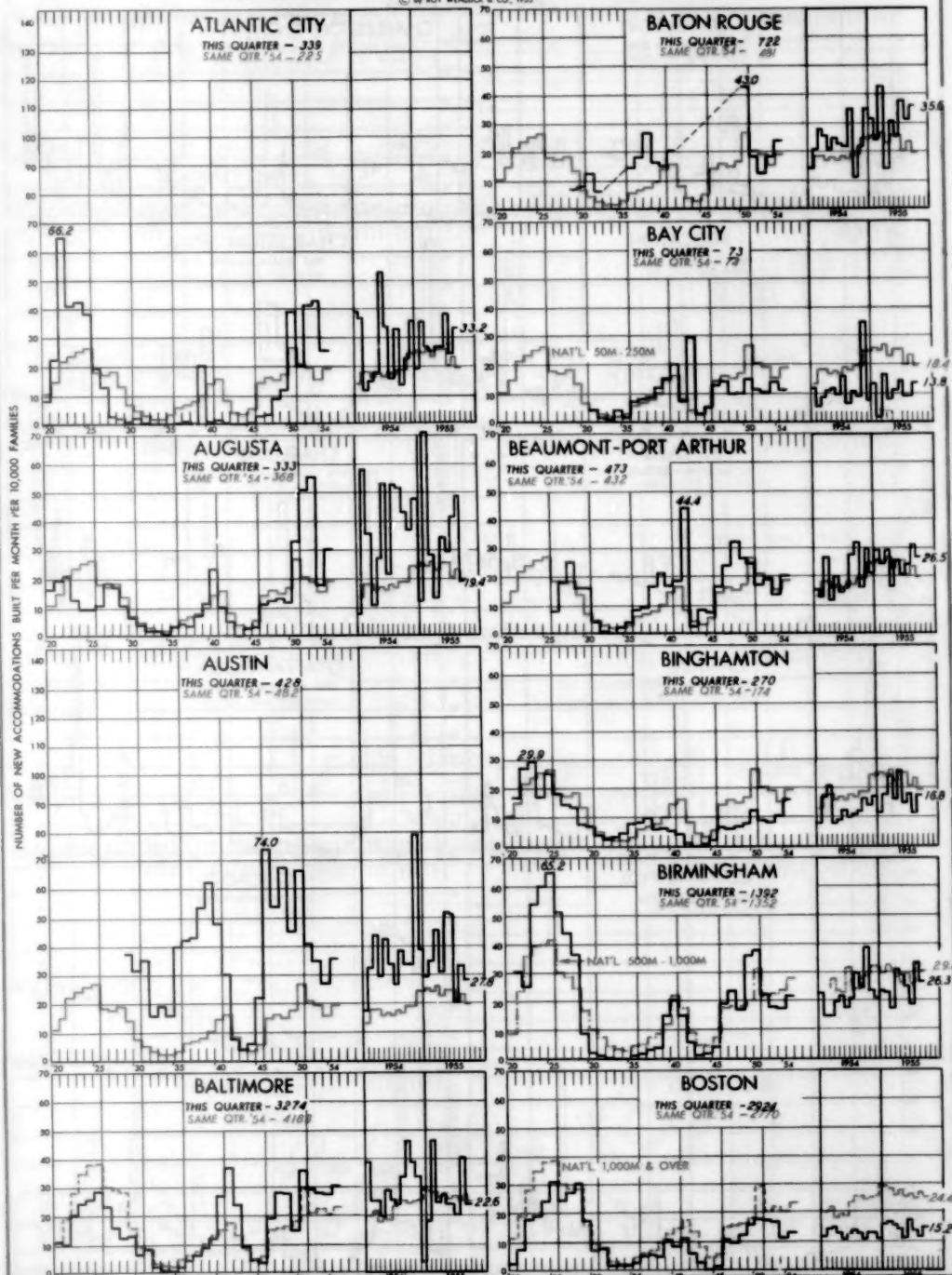
## NEW FAMILY ACCOMMODATIONS PER 10,000 FAMILIES

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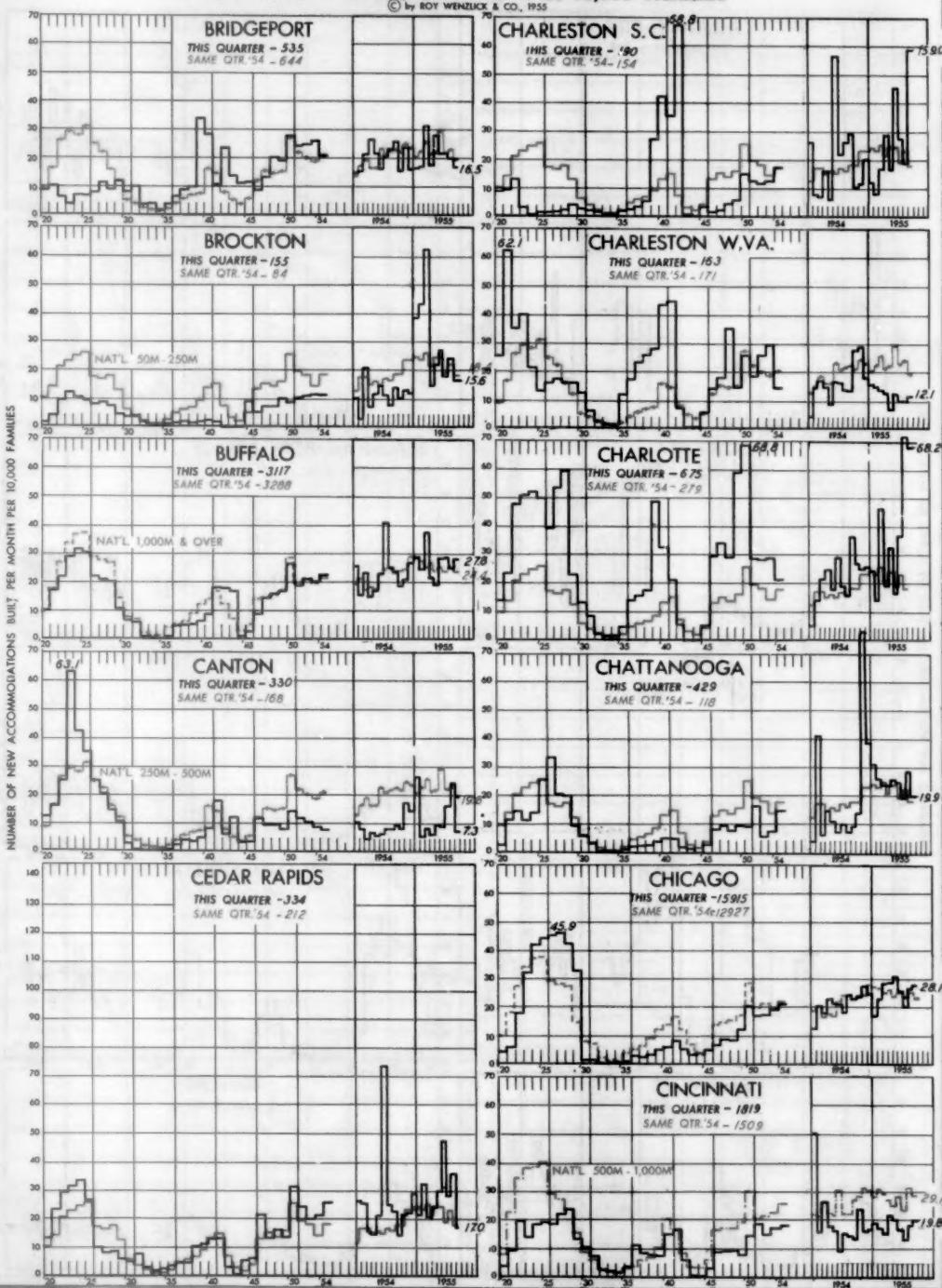
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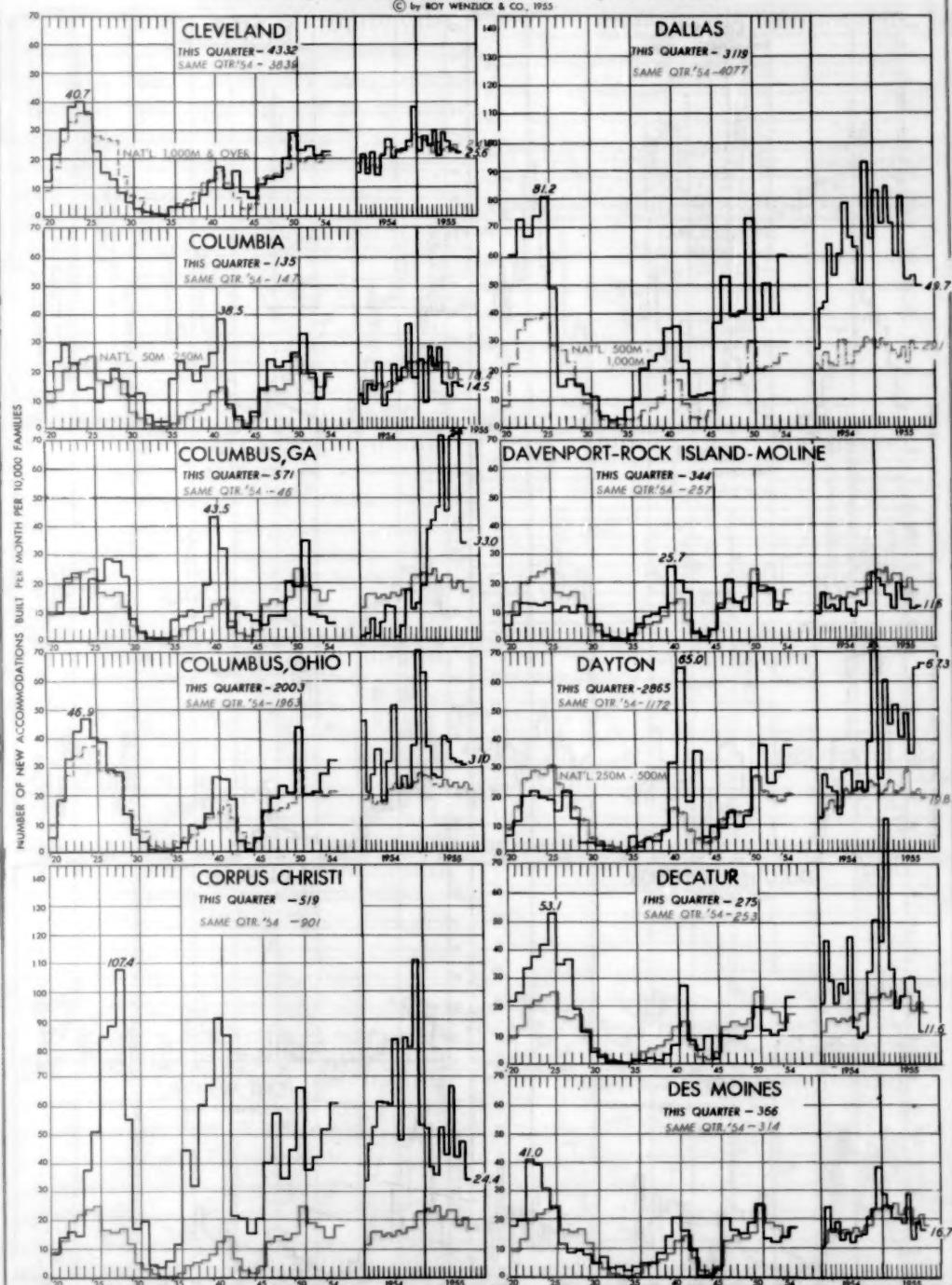
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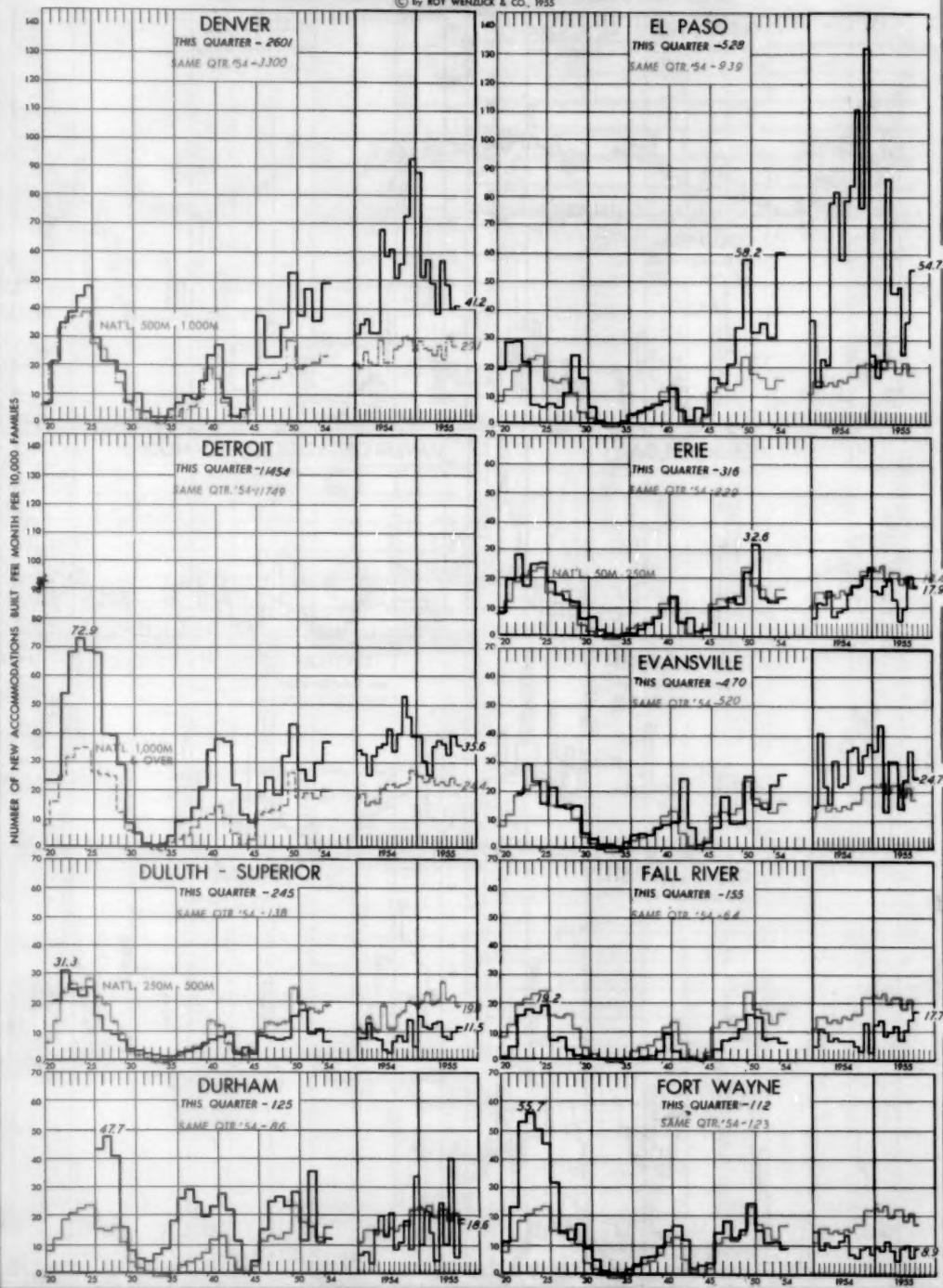
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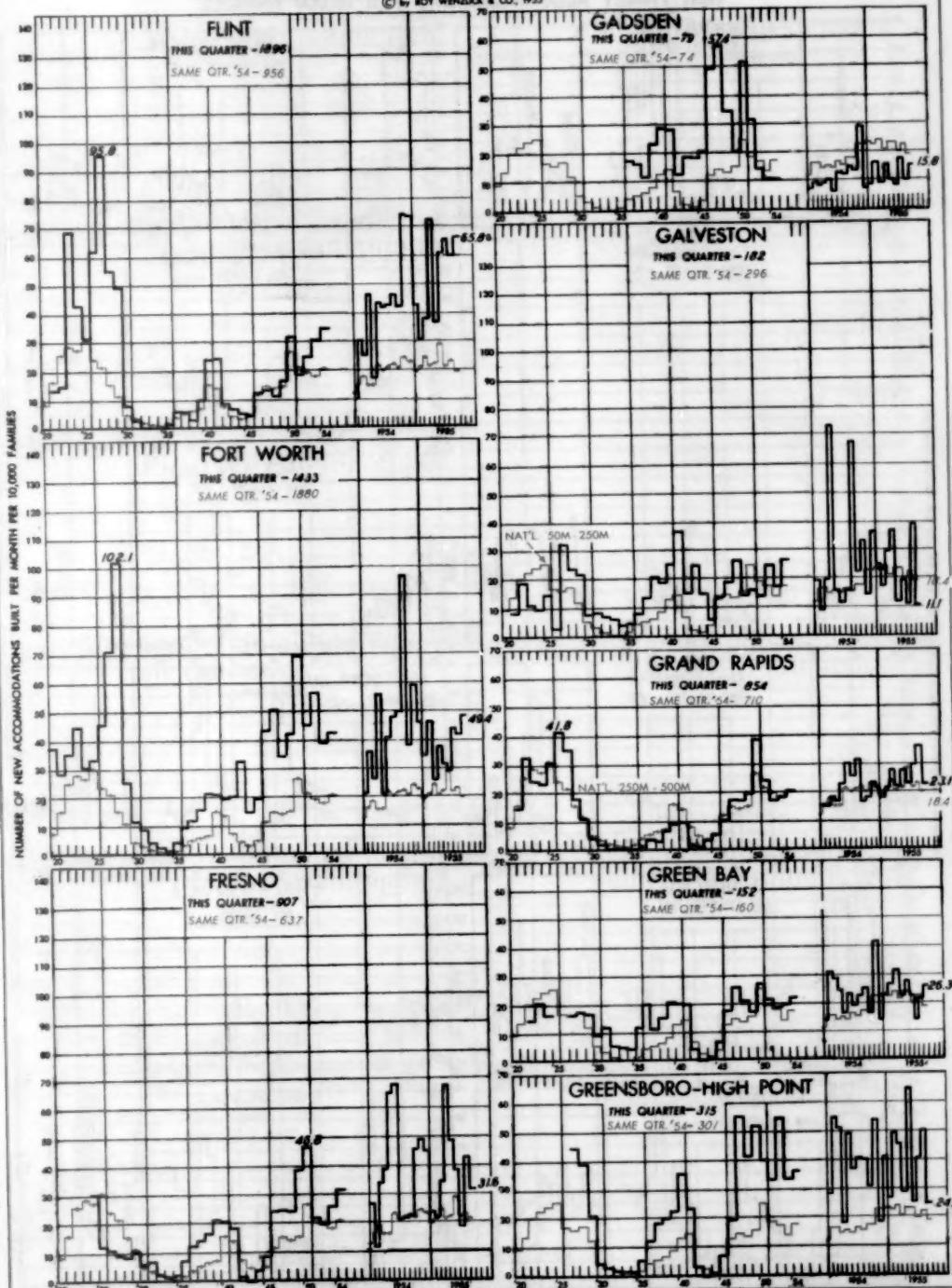
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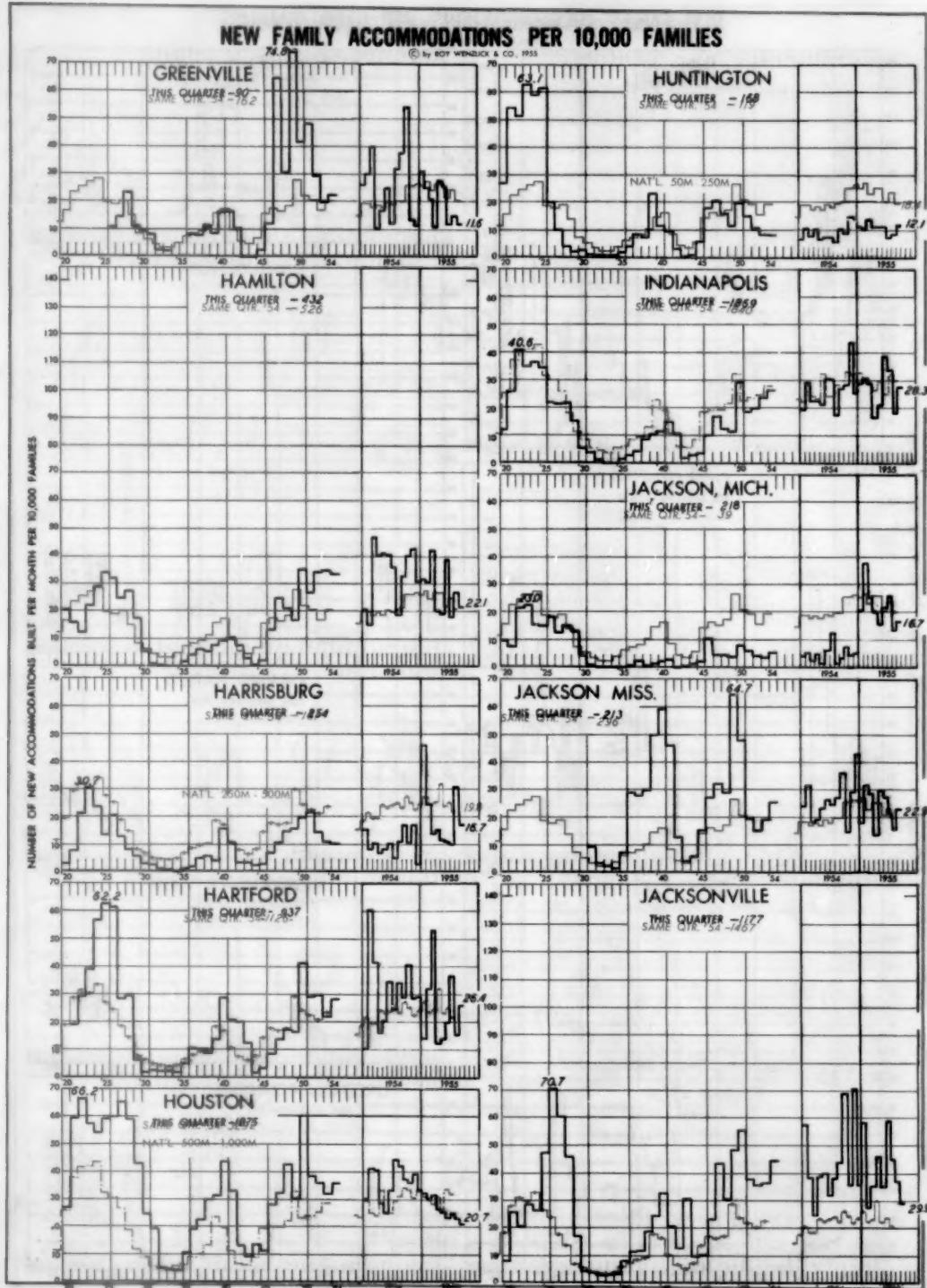
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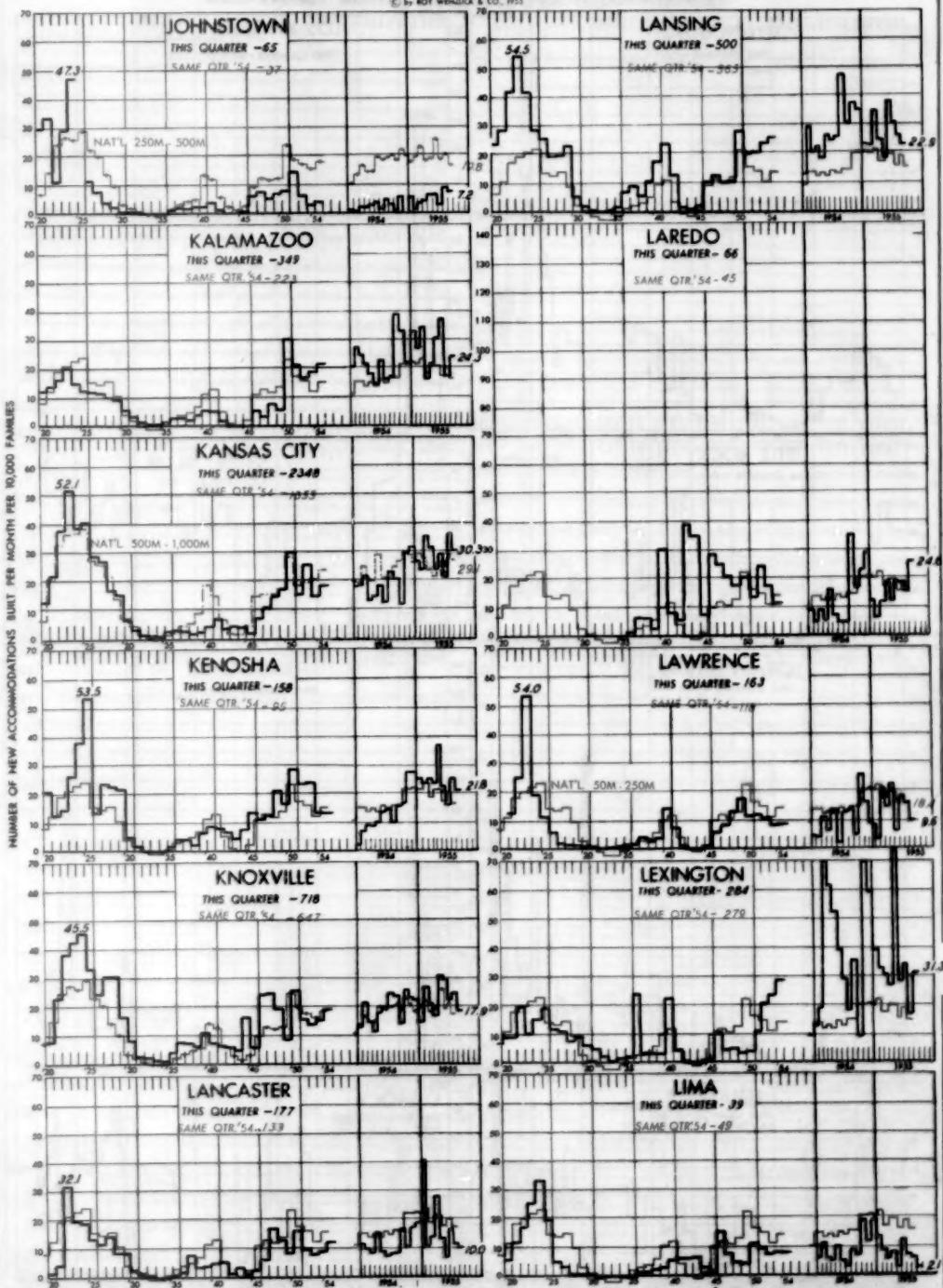
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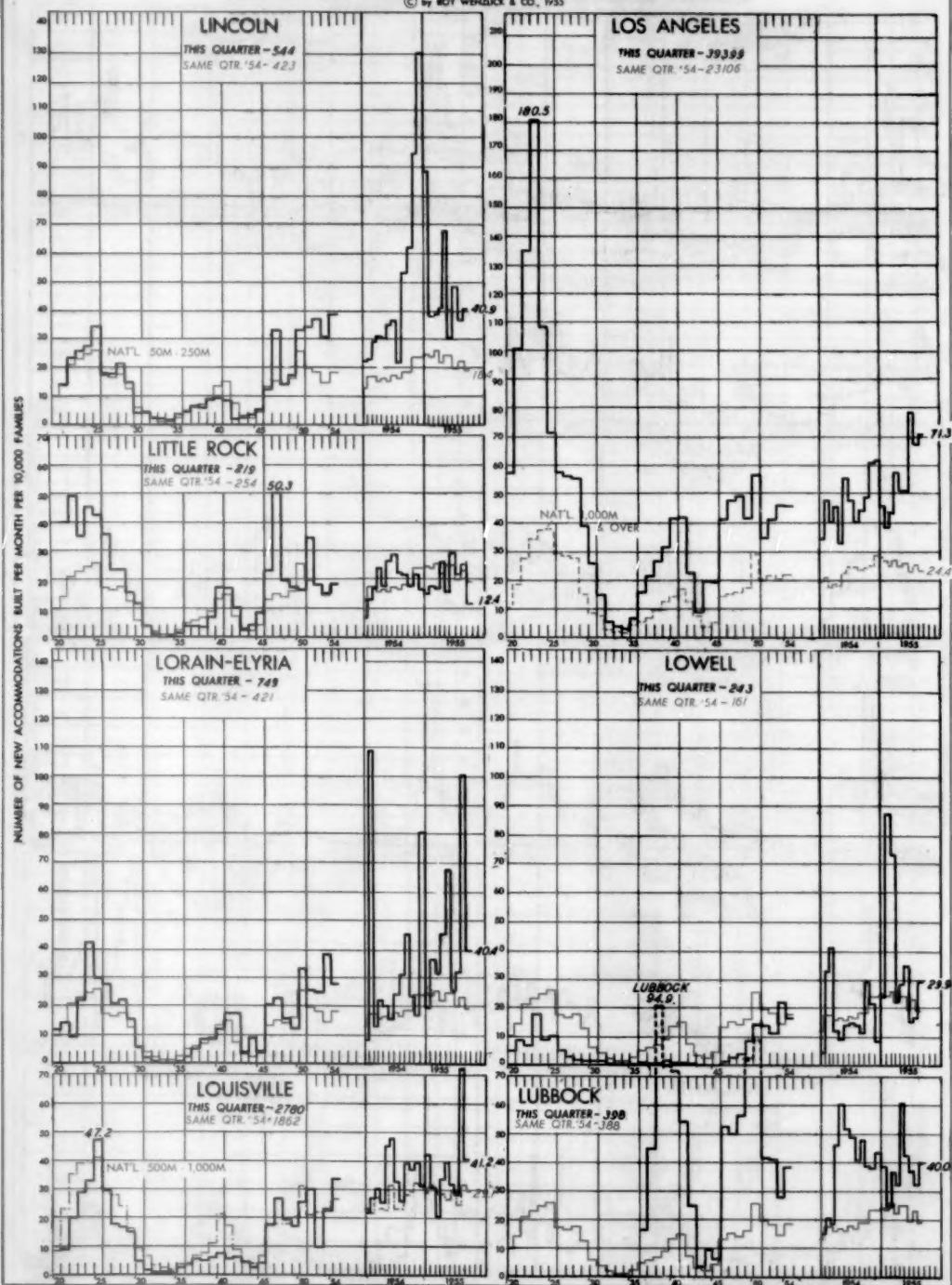
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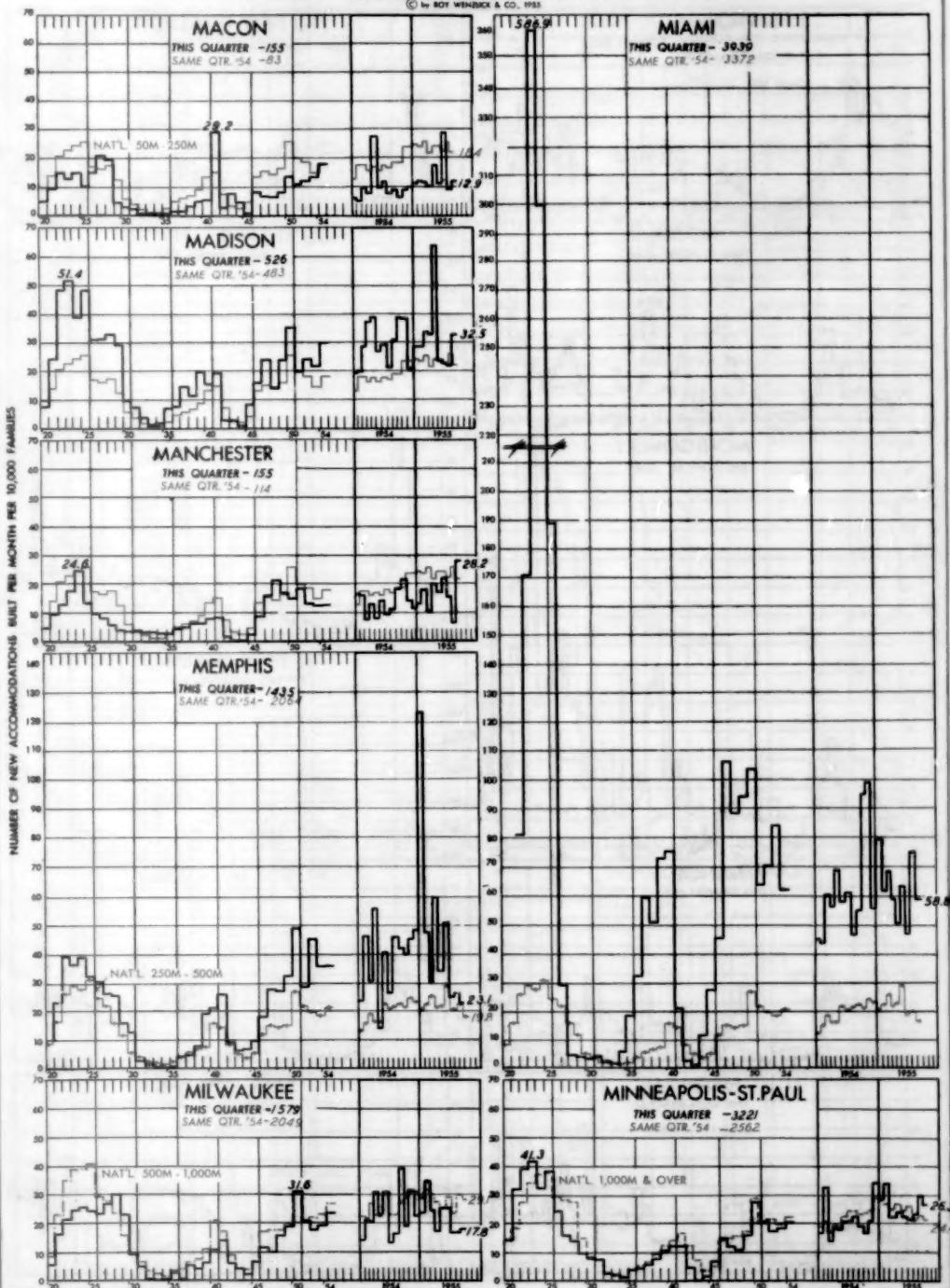
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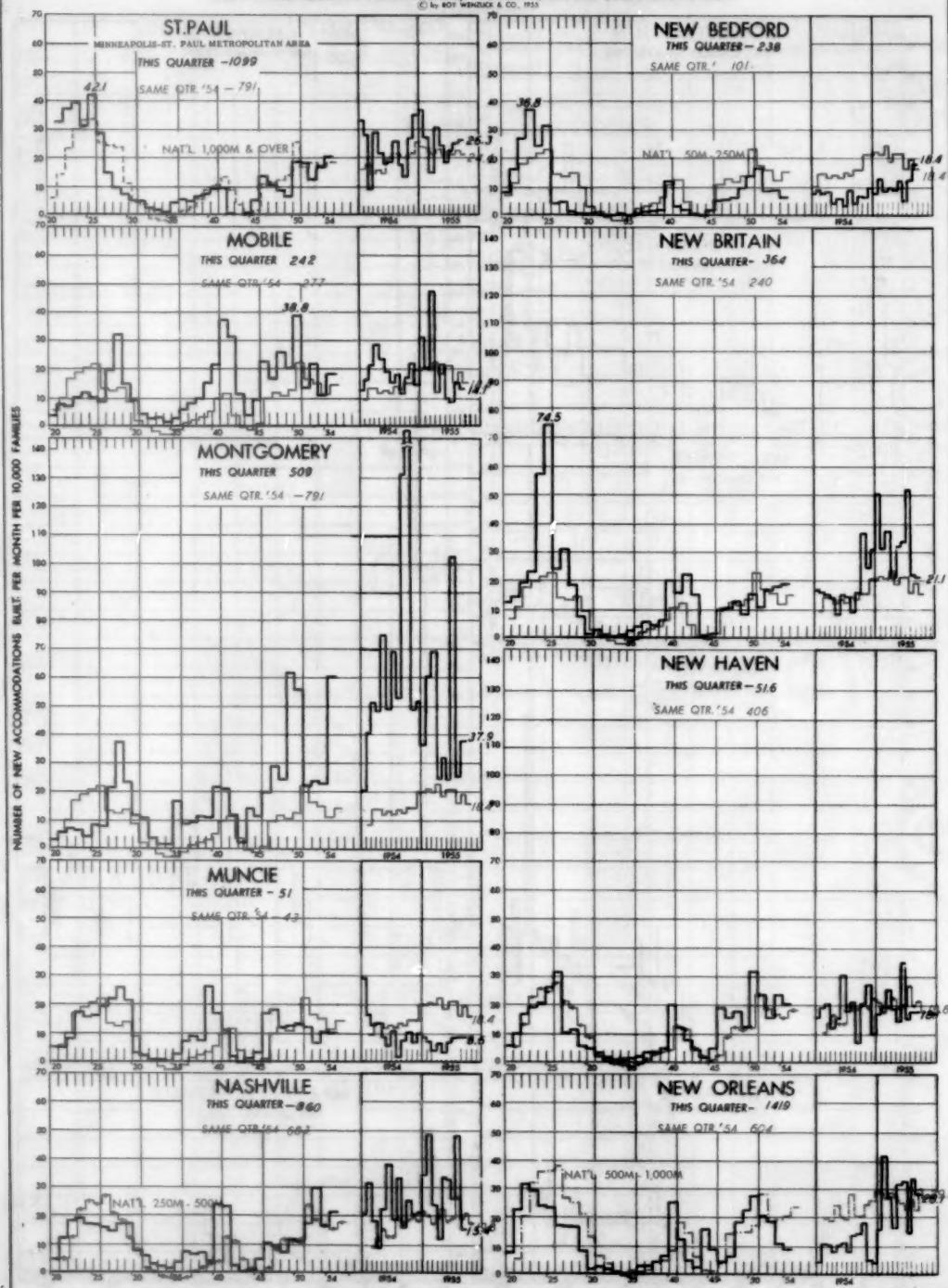
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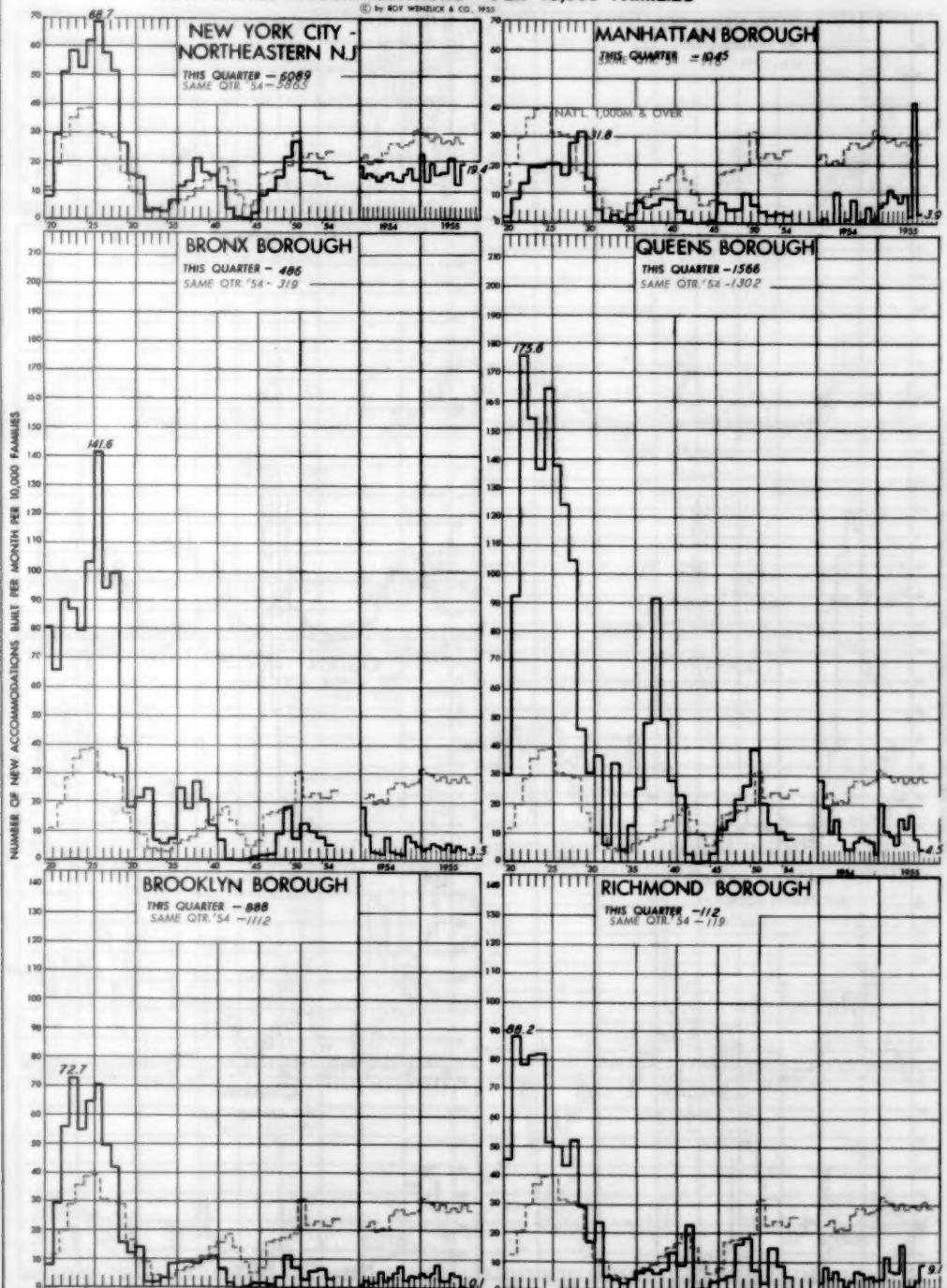
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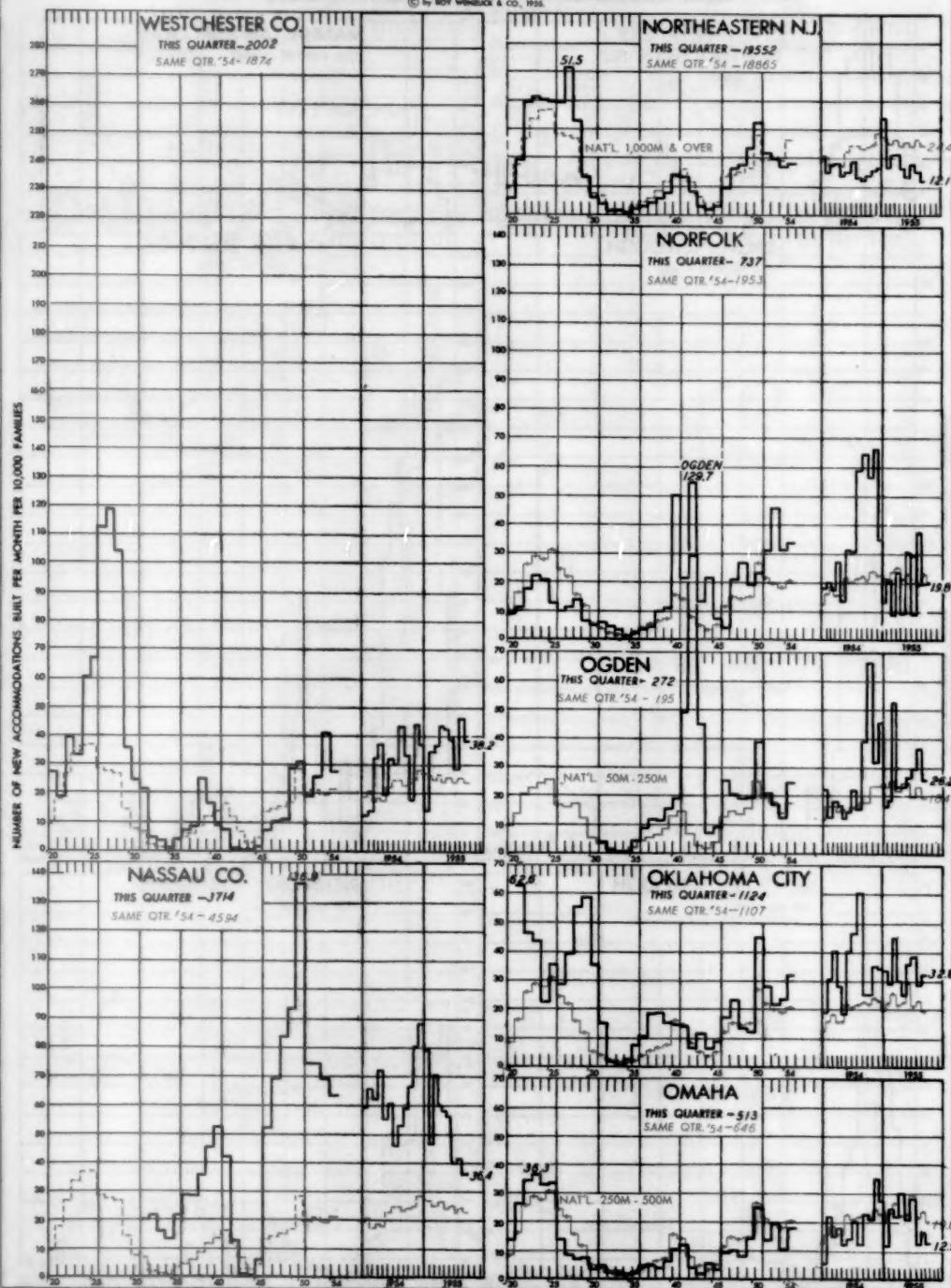
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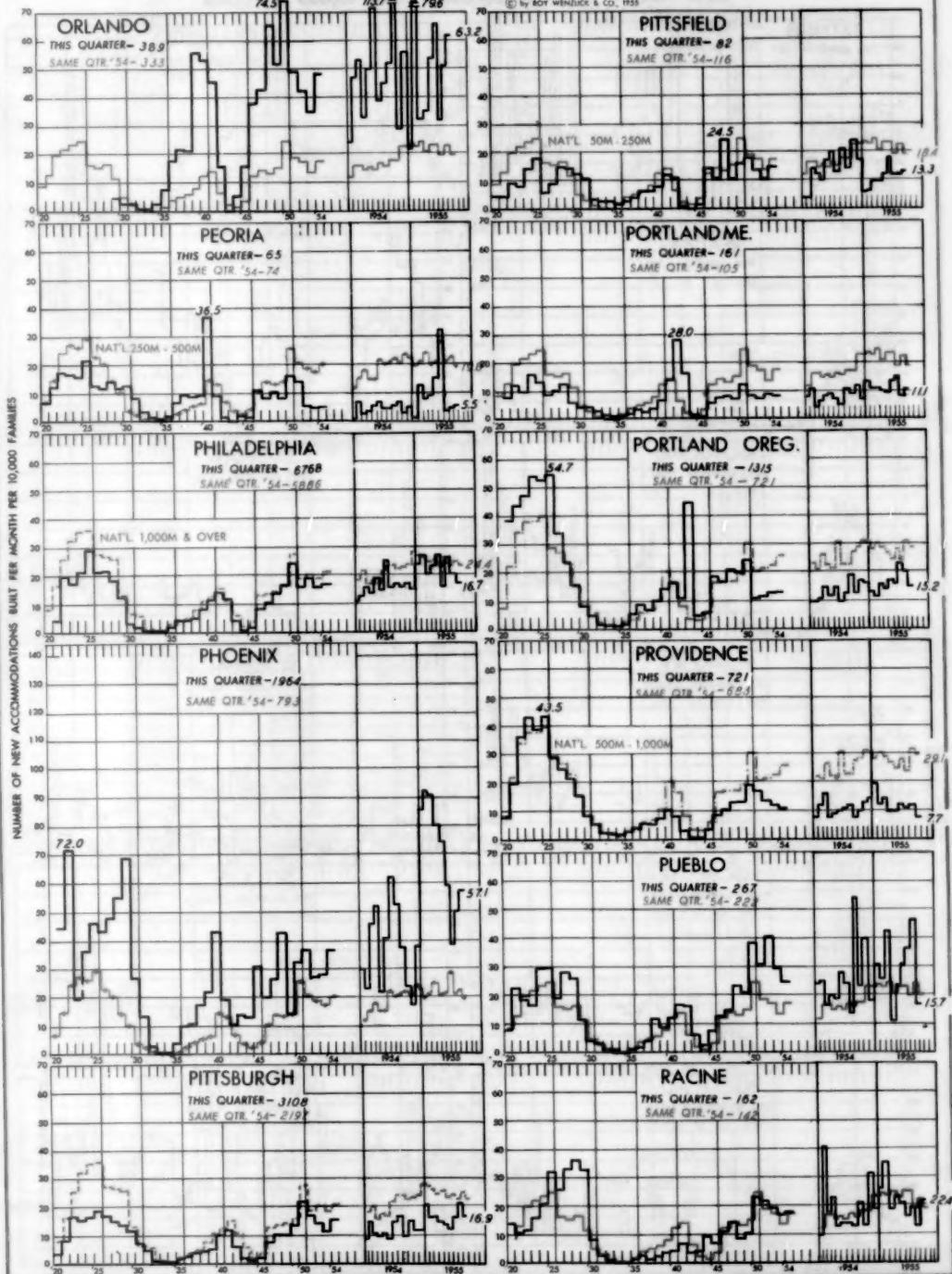
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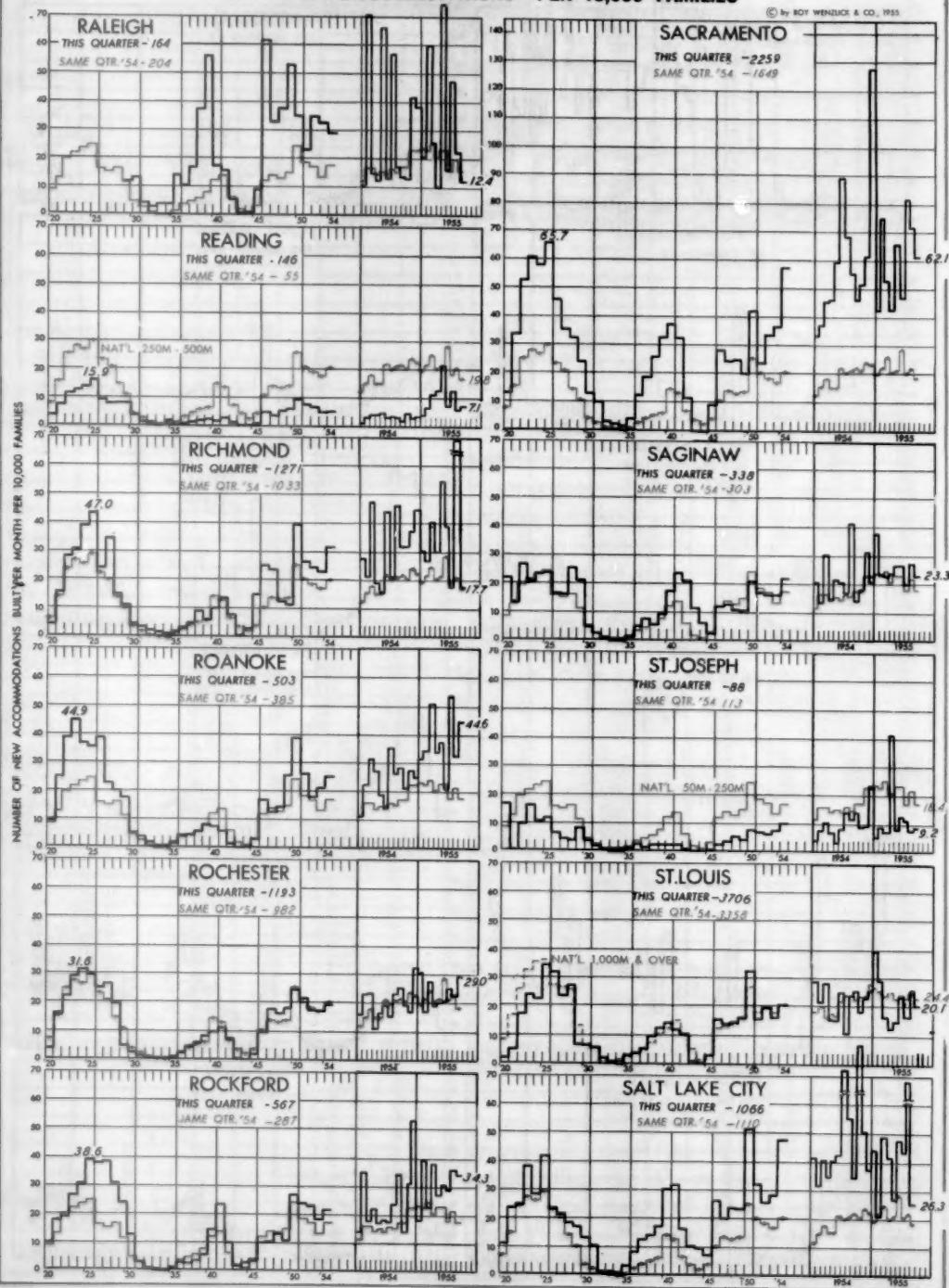
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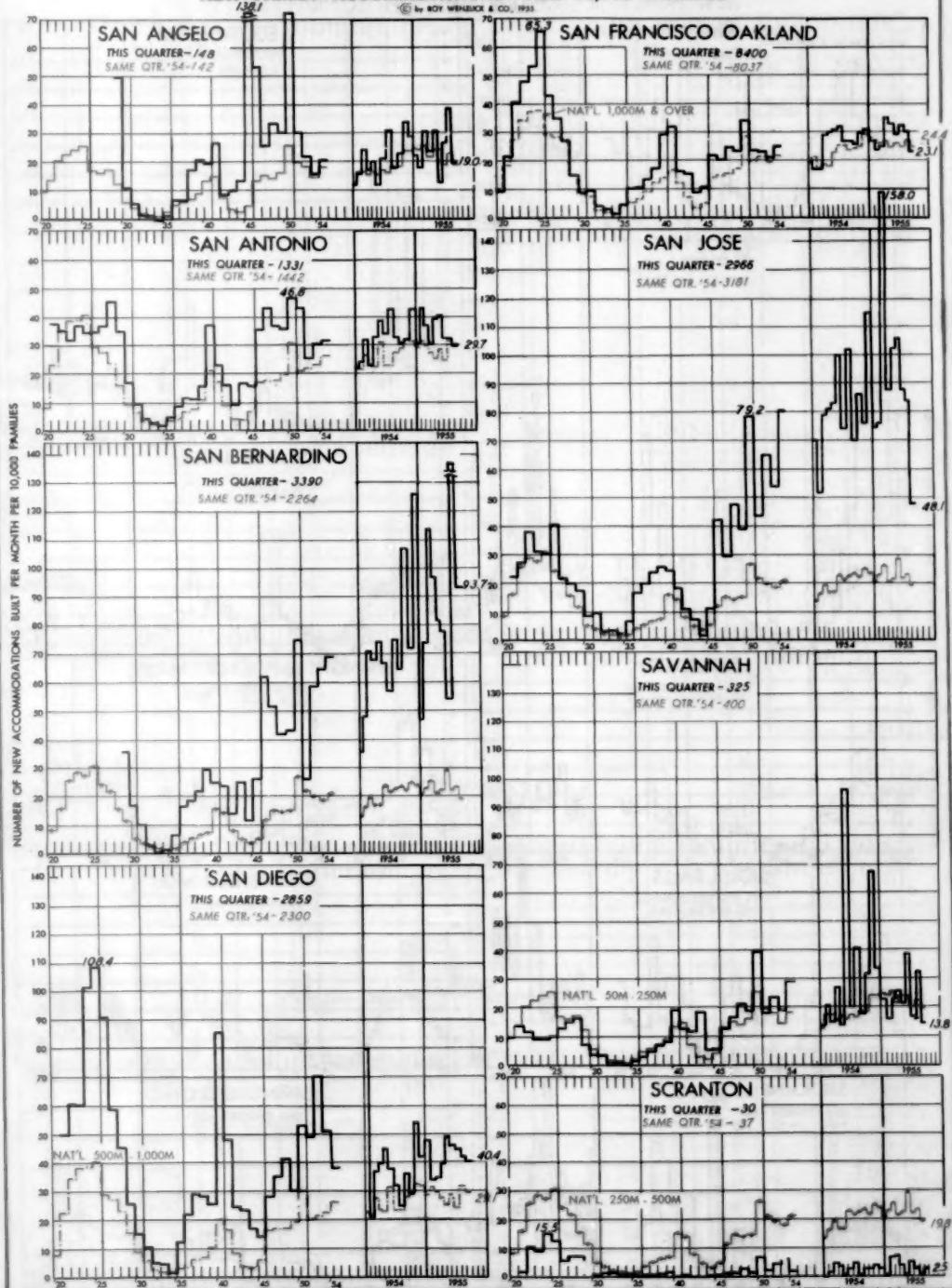
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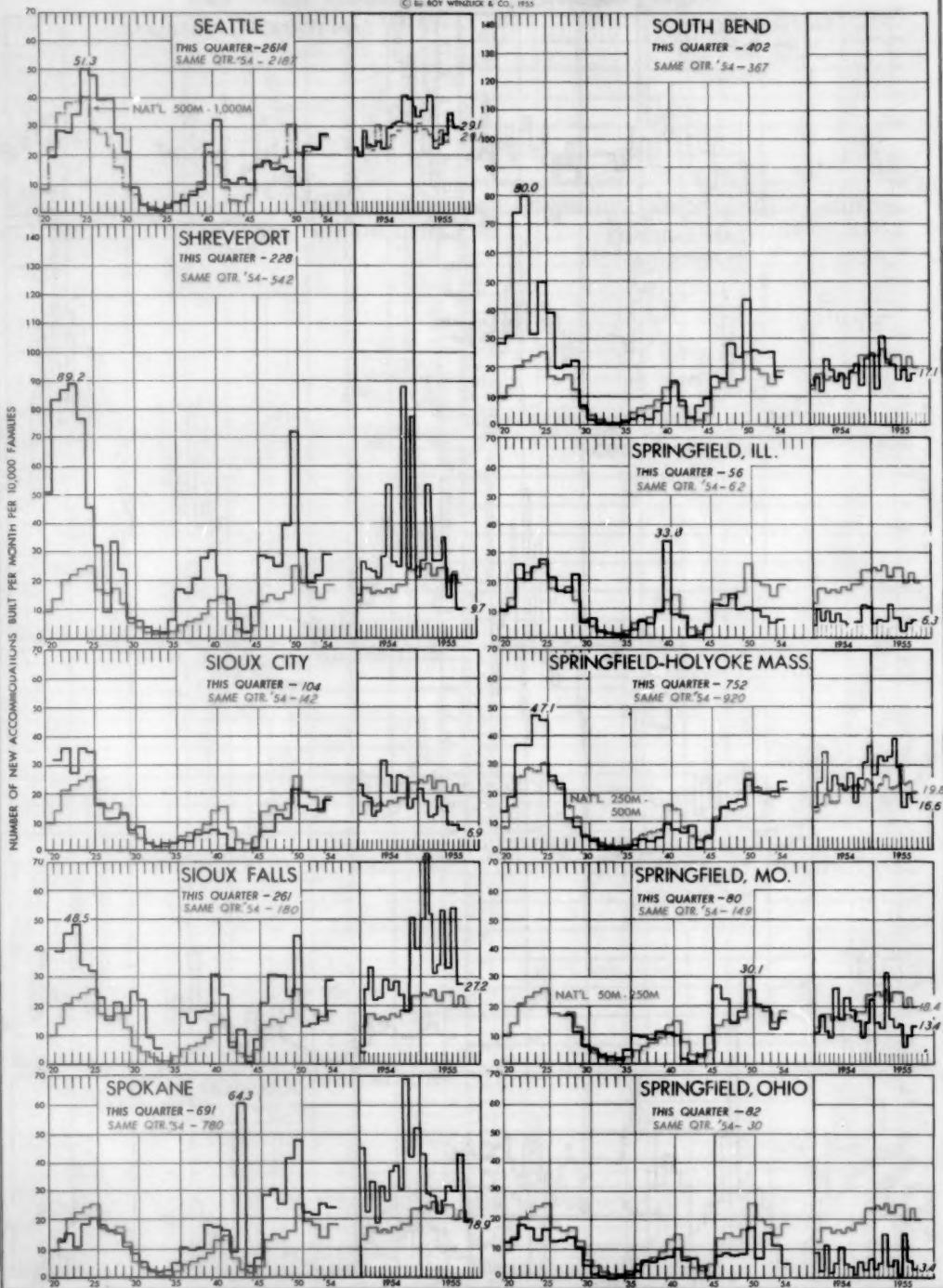
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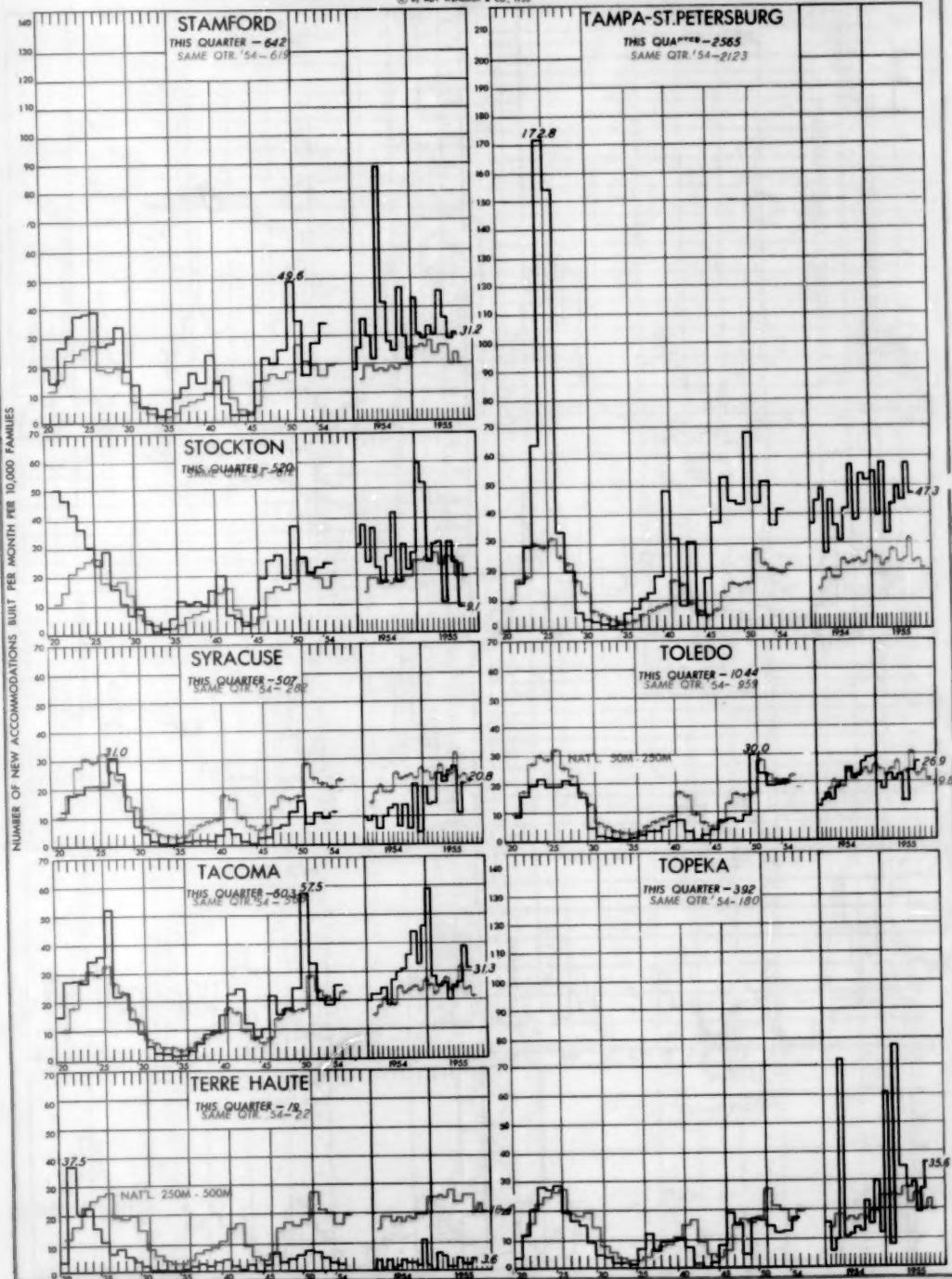
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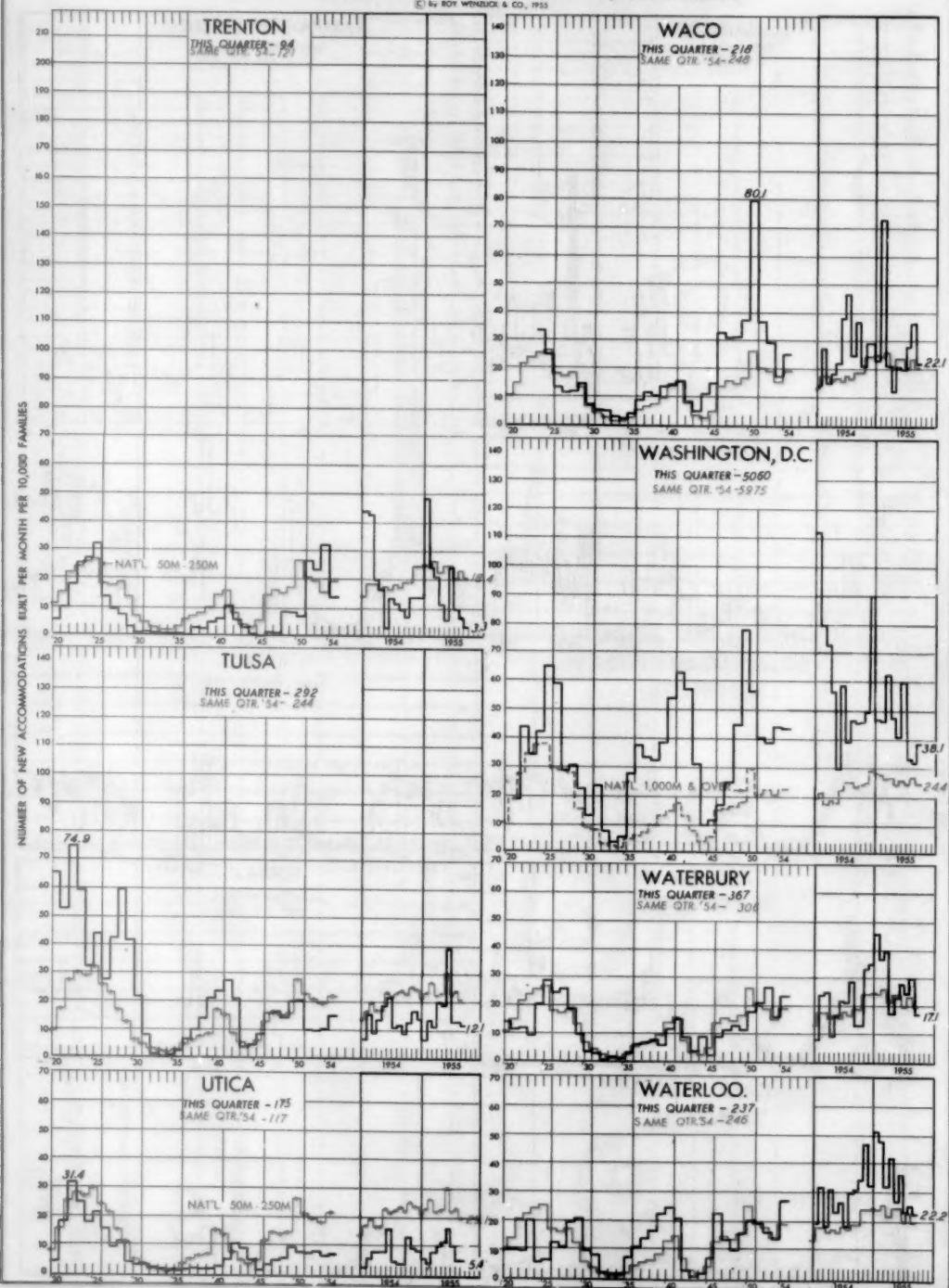
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